

# SENATE BILL REPORT

## SHB 1032

---

---

As Reported By Senate Committee On:  
Water, Energy & Telecommunications, February 22, 2008

**Title:** An act relating to creating a sustainable energy trust.

**Brief Description:** Creating a sustainable energy trust.

**Sponsors:** House Committee on Technology, Energy & Communications (originally sponsored by Representatives Morris, Hudgins, Anderson, Wallace, Moeller, B. Sullivan and Chase).

**Brief History:** Passed House: 3/07/07, 88-3; 1/23/08, 93-4.

**Committee Activity:** Water, Energy & Telecommunications: 3/28/07, 3/30/07 [DPA, DNP]; 2/20/08, 2/22/08 [DPA, DNP, w/oRec].

---

### SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

**Majority Report:** Do pass as amended.

Signed by Senators Rockefeller, Chair; Murray, Vice Chair; Fraser, Oemig, Pridemore and Regala.

**Minority Report:** Do not pass.

Signed by Senators Honeyford, Ranking Minority Member; Holmquist and Morton.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hatfield.

**Staff:** Scott Boettcher (786-7416)

**Background:** Public benefit funds are typically generated as a means to support renewable energy resources, energy efficiency initiatives, and low-income support programs. Public benefit funds are most commonly supported through system benefit charges. System benefit charges are small surcharges levied on all utility customers based on utility consumption rates. Public benefit funds may receive lump sum payments, for example, as a result of a settlement of a utility merger or the sale of generation assets.

**Summary of Bill (Recommended Amendments):** Consumer-owned and investor-owned electric and natural gas utilities may collect a monthly smart and sustainable energy charge from retail customers of up to \$1.90 per customer. The purpose of the charge is to fund development of sustainable energy resources of five megawatts or less or smart energy technology projects. The charge may be a variable charge, based on rate class. Before collecting a monthly smart and sustainable energy charge, the utility must have an approved

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

sustainable energy trust proposal. Sustainable energy trust proposals must be prepared by the utility and approved by the utility's governing board for consumer-owned utilities or the Washington State Utilities and Transportation Commission for investor-owned utilities. The sustainable energy trust proposal must contain a listing of proposed projects with a project management plan and costs for each proposed project, and the amount required to be collected through a monthly smart and sustainable energy charge and for how long. Proceeds collected by the utility from the charge may be used to cover above market costs of high-efficiency cogeneration and distributive generation resources.

The Department of Community, Trade and Economic Development must utilize information contained in approved sustainable energy trust proposals in its biennial energy report.

"Smart energy" refers to the use of technology to allow electrical networks to operate efficiently and to link small-scale sustainable energy resources to the grid.

"Sustainable energy resources" means: (1) an eligible renewable resource, as defined in RCW 19.285.030; (2) high-efficiency cogeneration with an efficiency level above seventy percent; or (3) other emerging energy technologies that significantly reduce pollution from existing technologies and have significant potential for commercialization.

**EFFECT OF CHANGES MADE BY WATER, ENERGY & TELECOMMUNICATIONS COMMITTEE (Recommended Amendments):** The following changes are made:

- renames "systems benefits charge" to "smart and sustainable energy charge;"
- expands definition of "sustainable energy resources" to include definition for "eligible renewable resource" in the State Energy Independence Act (Ch. 19.285 RCW);
- makes several technical changes to provide the Washington Utilities and Transportation Commission with standards and a process for review of sustainable energy trust proposals;
- allows for smart and sustainable energy charges to be used to cover above market costs of distributive generation and high-efficiency cogeneration resources; and
- allows for smart and sustainable energy charges to be a variable based on rate class.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute Bill:** PRO: Sustainable energy trusts can be an additional tool in the toolbox to bring on-line new and emerging energy technologies. It is up to the utilities to put new technologies on the ground. Many states have similar such mechanisms. California has found such mechanisms to be very effective in promoting development of small-scale clean energy resources. Having the trusts generated by the local utilities enables customization to the local market and local circumstances. Having an additional source of revenue can make the difference to getting new technologies out into the field for testing and then ultimately onto deployment and commercialization. For example, this could apply to new distributive generation technologies, micro-turbines, and

more. The bill is necessary to help utilities to try new technologies, when they might not otherwise. The bill can stimulate necessary investment. Improvements to the bill that could be considered include: a percentage based rate charge to accommodate low-income households versus the flat rate in the bill of up to \$1.90 per customer per month; clearer language specifying that the fund be used solely for clean energy development of five megawatts or less; allowance to use collected funds to buy-down above-market renewable energy resources to meet I-937 obligations, and make necessary acquisitions more cost-effective; and clearer policy consideration on whether or not to include natural gas in the bill or not.

CON: Not sure the bill is necessary. Consumer-owned utilities can already set their own rates for such purposes. Investor-owned utilities can recover investment costs in their rates anyway, as allowed by the WAUTC. Not really sure what the bill adds or offers. Risk capital should fund such new technologies, not consumers.

OTHER: The Water, Energy and Telecommunications Committee amendment from last year provided necessary procedure and standards for the WAUTC to conduct a prudency analysis on the viability and merits of proposed investor-owned sustainability trusts.

**Persons Testifying:** PRO: Representative Morris, prime sponsor; Clifford Traisman, Renewable Northwest Project; Colin Sprague, Avista Corporation.

CON: Tim Boyd, Industrial Customers of Northwest Utilities.

OTHER: Dave Danner, WAUTC.